



STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

| | | | |
|------------------|----------------------|----------------|-------------------------|
| Date Introduced: | 02/14/02 | Bill No: | AB 1980 |
| Tax: | Sales and Use | Author: | Bogh |
| Board Position: | | Related Bills: | SB 1826 (Morrow) |

BILL SUMMARY

This bill would provide a sales and use tax exemption for the sale or purchase of pistols that are used by law enforcement officers in the performance of their duties.

ANALYSIS

Current Law

Under the existing sales and use tax law, the sales or use tax applies to the sale or use of all tangible personal property, unless specifically exempted. Currently, the Sales and Use Tax Law does not provide any sort of exemption for firearms. Current law does provide an exemption for sales of tangible personal property to the United States, its unincorporated agencies and instrumentalities and any incorporated agency or instrumentality of the United States wholly owned by the United States or by a corporation wholly owned by the United States. Therefore, sales of firearms to the FBI or other federal government agencies are exempt from tax. However, this exemption does not extend to federal employees, so FBI agents who purchase their own firearms must pay sales or use tax. Current law provides that sales or use tax applies to the sale or purchase of pistols that are used by law enforcement officers in the performance of their duties.

Proposed Law

This bill would add Section 6366.7 to the Sales and Use Tax Law to provide a sales and use tax exemption for the sale or purchase of pistols that are used by law enforcement officers in the performance of their duties.

This bill would become operative on the first day of the first calendar quarter commencing more than 90 days after the effective date.

COMMENTS

- 1. Sponsor and purpose.** This bill is sponsored by the author to provide law enforcement officers with a tax break on the purchase of their pistols.
- 2. Definitions necessary.** The bill does not define the terms “law enforcement officer” and “pistols.” In order to properly administer the exemption and to eliminate any confusion for gun retailers, it is recommended that the bill include a definition of these key terms.

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position

- 3. Related legislation.** Senate Bill 1826 (Morrow) would provide a sales and use tax exemption for the sale and purchase of emergency equipment purchased by a local emergency service provider. The Board has not yet taken a position on SB 1826.

COST ESTIMATE

Some costs would be incurred in revising returns, regulations and publications. These costs are expected to be absorbable.

REVENUE ESTIMATE

Background, Methodology, and Assumptions

According to law enforcement representatives, purchases of pistols for use by law enforcement officers varies from year-to-year. The annual replacement of pistols has been estimated to range from five percent per year to 20 percent per year based upon the number of active uniformed officers. Additionally, departmental policies vary depending upon size. Larger departments provide officers standard issue pistols, usually a 9 mm semiautomatic weapon, while allowing officers the option to purchase their own pistol from a list specified by the respective department; smaller departments may require the officer to purchase his or her service pistol. In cases where a pistol is issued by the department, the officer is required to return the weapon to the issuing department upon terminating employment. Pistols issued by those departments are reissued and only replaced if damaged, lost, or stolen. While pistols may vary from department-to-department, all departments provide a list, which specifies the pistols that may be used in the line of duty.

In addition to a primary service pistol, law enforcement officers routinely carry a backup pistol in the line of duty. Purchases of a second pistol are made by law enforcement officers from an authorized list of pistols provided by the officers' respective department. According to the California Department of Justice (DOJ), law enforcement officers may purchase pistols by filing a waiver to the 15 day waiting period. Those purchases are registered with the DOJ and totaled 6,482 pistols in 2000 and 6,189 pistols purchased in 2001.

According to the Bureau of Labor Statistics, the total number of law enforcement officers employed in 2000 that would qualify under this bill was 87,630. Based upon information provided by various law enforcement sources, it is estimated that pistols purchased by departments and individuals to replace service pistols, to add new service pistols, or to provide for a backup pistol is estimated to be 10 percent per year of active duty law enforcement officers. Based upon the total number of active duty law enforcement officers, it is estimated that 8,763 pistols (87,630 law enforcement officers x 0.10) are purchased each year for use in the line of duty. Additionally, the cost of those pistols ranges from \$600 to \$800 each. The average purchase price is therefore estimated to be \$700. The total annual expenditures on pistols is estimated to be \$6.1 million (8,763 pistols x \$700).

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position

Revenue Summary

The revenue loss from exempting \$6.1 million in sales of pistols is estimated to be as follows:

| | Revenue Loss |
|-------------------------------|--------------|
| State loss (5.00%) | \$305,000 |
| Local loss (2.25%) | \$137,250 |
| Special District loss (0.67%) | \$ 40,870 |
| Total | \$483,120 |

| | | | |
|-----------------------|-------------------|----------|----------|
| Analysis prepared by: | Bradley Miller | 445-6662 | 03/14/02 |
| Revenue estimate by: | Ron Ridley | 445-0840 | |
| Contact: | Margaret S. Shedd | 322-2376 | |

1980-1bm

This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position